

31 August 2012

IFRS Foundation
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Email: CommentLetters@ifrs.org

Dear Sir/Madam

**SAICA SUBMISSION ON THE IASB AND IFRS INTERPRETATIONS
COMMITTEE DUE PROCESS HANDBOOK**

In response to your request for comments on the IASB and IFRS Interpretations Committee Due Process Handbook, attached is the comment letter prepared by Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC, which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Sue Ludolph
Project Director – Financial Reporting

cc: Paul O’Flaherty (Chairman of the Accounting Practices Committee)

SAICA SUBMISSION ON EXPOSURE DRAFT ON THE IASB AND IFRS INTERPRETATIONS COMMITTEE DUE PROCESS HANDBOOK

GENERAL COMMENTS

We commend the IFRS Foundation's Due Process Oversight Committee (DPOC) for reviewing and updating the IASB and IFRS Interpretations Committee Due Process Handbook in light of the changes in the operations of the IASB and IFRS Interpretations Committee since the last review. In particular we are supportive of the proposal to combine the IASB and IFRS Interpretations Committee Handbooks.

SPECIFIC COMMENTS

Question 1

The Trustees' have included an introductory section dealing with 'oversight', and the responsibilities of the DPOC (see paragraphs 2.1–2.15).

Do you support the inclusion and content of this section? Why or why not?

Yes, we support the inclusion and the content on the roles and responsibilities of the DPOC set out in paragraphs 2.1 to 2.15 of the draft revised IASB and IFRS Interpretations Committee Handbook, as it is a useful summary introduction to the roles and responsibilities of the DPOC when read with the detail of the other aspects of the due processes.

Question 2

The DPOC have created a Due Process Protocol in the form of a table that shows the steps that the IASB must, or could, take, as well as reporting metrics to demonstrate the steps that they have taken, in meeting their due process obligations (see Appendix 4).

Do you agree with the idea that such a table should be maintained on the public website for each project?

Why or why not?

We agree that the various tables, as relevant, in Appendix 4 should be published on the IASB website, and for each individual project all relevant tables should be kept in the same place. This means that for each project it will enable constituents to monitor the progress on that project as in so far as the due process is concerned. It will be particularly useful if the table for each project is updated regularly after each meeting at which it has been discussed, but not limited thereto. A copy of all the tables set out in Appendix 4 should also be retained on the IASB and IFRS Interpretations Committee Due Process Handbook section of the IASB website.

Furthermore, there has previously been a practice where the IASB would, for each project in progress, provide up to date technical summaries of the discussions on each project which were useful in tracking the status of each project. Thus, in addition to providing the table on the due process for each project, we suggest that the IASB consider reproducing these technical summaries in future and publishing these on the website.

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Question 3

A research programme is described, which we expect will become the development base from which potential standards-level projects will be identified (see paragraphs 4.9–4.22). In addition, a new section on maintenance has been added, which formalises the practice that the IASB and the Interpretations Committee have been following for addressing matters that are narrow in scope. It clarifies that the more formal project proposal processes were always intended to apply to new IFRSs and major amendments. The IASB has the discretion to initiate changes that are narrow in scope to IFRSs as part of the general maintenance of IFRSs. The new section also explains how the activities of the IASB and the Interpretations Committee are closely related (see paragraphs 5.11–5.20).

Do you agree with the distinction between narrow-scope projects, which come under the heading of maintenance and comprehensive projects, which come under the heading of development of IFRSs?

Why or why not?

We agree with the distinction between narrow-scope and comprehensive projects as this will help to define the scope, approach and procedures to be carried out for each project. What is not clear, however, from this section is the difference between maintenance projects and interpretations as issued by the IFRS Interpretations Committee. Similarly it is also unclear how the IASB makes a distinction between a maintenance project and an annual improvement project. We request that these be clarified in the IASB and IFRS Interpretations Committee Due Process Handbook.

Moreover, most recently the IFRS Interpretations Committee has been involved in the development of annual improvements quite extensively in that the initial consideration of a proposed amendment to be included as part of the annual improvements process is deliberated by the IFRS Interpretations Committee and recommended to the IASB for inclusion in the annual improvements. From the wording in the draft revised IASB and IFRS Interpretations Committee Due Process Handbook, this working relationship between the IASB and the IFRS Interpretation Committee does not seem to be documented. We suggest that, in order to formalise this relationship with regard to the formulation of annual improvements, this be documented in the IASB and IFRS Interpretations Committee Due Process Handbook.

We also propose that the IASB and IFRS Interpretations Committee have a formal process where it periodically reviews all IFRSs and Interpretations currently in issue to identify those that are no longer considered relevant and which can be withdrawn.

Paragraph 4.12 notes that *“The IASB and its staff are not expected to undertake all of the activities on its research programme. It is important to the IASB that others, such as national **or** regional financial reporting bodies, academics and other interested parties, participate in these activities.”* (emphasis added). We suggest that in some regions both the regional financial reporting body as well as various national financial reporting bodies may want to be involved in research activities. Should this be the case, we request that the IASB formally document this, by amending paragraph 4.12 to state *“The IASB and its staff are not expected to undertake all of the activities on its research programme. It is important to the IASB that others, such as national ~~or~~ and regional financial reporting bodies, academics and other interested parties,*

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participate in these activities.” (The word struck through has been deleted and the word underlined has been added).

Do you agree with the introduction of a separate research programme that will likely be the development base from which potential standards-level projects will be identified? Why or why not?

Yes, we agree with a separate research programme that will likely be the development base from which potential standards-level projects will be identified, as this will assist in ensuring a consistent approach is followed for each project. In addition, it should assist in identifying the major issues to be dealt with in each project.

We note that, whilst the due process to be followed for research projects has been detailed in the table in page 49, it does not seem to be clear how the IASB would determine the scope of the research programme and what criteria will be used in prioritising projects. We believe there is merit in dealing with these issues in the Handbook.

Question 4

Two changes to comment periods are proposed. The first would increase the minimum comment period for exposing the draft of a rejection notice of a request for an Interpretation request from 30 days to 60 days (see paragraph 5.16). The other change relates to the re-exposure of a document. The DPOC is proposing to allow the IASB to have a reduced comment period of a minimum of 60 days for documents it plans to re-expose, if the re-exposure is narrow in focus (see paragraph 6.26).

Do you agree with the changes in the comment period lengths for rejection notices and re-exposure drafts? Why or why not?

We agree with the change to the increase in the comment period for the draft of a rejection notice of a request for an Interpretation from 30 days to 60 days as this might result in additional feedback, particularly from bodies who hold regular scheduled meetings, as a 30 day period might not be a sufficient period for comments to be considered and discussed at such meetings.

We do not agree with the proposed decrease in the comment period from a minimum of 120 days to 60 days for a re-exposure document where the amendment is considered narrow in scope. Whilst narrow in scope, some amendments may relate to standards that have a pervasive impact, such as revenue and in those instances it may be appropriate for standard-setters or accounting professional bodies to consult widely with the relevant experts locally to consider the effect before a comment letter is finalised. Also some pronouncements may be issued at a time where it may be a holiday season in a particular jurisdiction, and this would have a bearing on the time available to consider it and provide comments. It is in this light that we suggest that the comment period for a re-exposure document where the amendment is considered narrow in scope be reduced to a minimum of 90 days.

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Question 5

Are there any other matters in the proposed handbook that you wish to comment on, including matters that are not covered by the handbook that you think should be?

The current IASB workplan reflects targeted dates for issuing pronouncements, but criteria on how the IASB determines these target dates does not seem to be considered in this draft revised IASB and IFRS Interpretations Committee Due Process Handbook. For example, is the timing on a particular project based on its nature? We request that the IASB establish this criteria and this be formally documented in the IASB and IFRS Interpretations Committee Due Process Handbook, to assist stakeholders in assessing the appropriateness of the issues considered in the decision-making. As there has recently been a number of extensions of targeted dates for various projects, this could affect countries that intend to adopt IFRS or when entities intend to apply new or revised standards and interpretations and so by focusing on how targeted dates are determined and what has led to changes could assist in identifying the reasons for changes, which in turn could assist in determining a more likely target date for the various projects in the future.

Changes to IFRSs are often issued as amendments, revisions or new IFRSs and it is not clear from the wording in the draft revised IASB and IFRS Interpretations Committee Due Process Handbook, what criteria the IASB considers to determine whether to issue an amended, revised or new IFRSs. In addition it is unclear how the IASB determines whether or not to include application guidance and illustrative examples in an IFRS. Again we suggest the IASB formally document the criteria or issues considered in deciding on whether to issue an amended, revised or new IFRS and whether to include application guidance and/or illustrative examples in an IFRS so that these can be clearly understood.

Paragraph 4.6 reads *“IFRSs should provide a faithful portrayal of an entity’s financial position and performance in its financial statements. Those standards serve investors and other users of financial reports in making informed resource allocation and other economic decisions. The confidence of all users of financial statements in the transparency and integrity of these statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth”*. Some of our constituents were concerned that the wording in this paragraph could be read to say that financial statements will influence the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth, when they are just one of many aspects that could collectively have this affect. We request that the DPOC reconsider the wording in this paragraph.

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